

Bharti Infratel (BHAINF)

₹ 265

Energy segment comes to aid in a weak quarter

Rating medium		
Rating	:	Hold
Target	:	₹ 285
Target Period	:	12 months
Potential Upside	:	7%

What's changed?	
Target	Changed from ₹ 290 to ₹ 285
EPS FY19E	Changed from ₹ 11.9 to ₹ 12
EPS FY20E	Changed from ₹ 12.6 to ₹ 12.5
Rating	Unchanged

Quarterly performance					
	Q2FY19	Q2FY18	YoY (%)	Q1FY19	QoQ (%)
Revenue	3,668.3	3,648.2	0.6	3,673.5	-0.1
EBITDA	1,486.4	1,614.6	(7.9)	1,519.6	(2.2)
EBITDA (%)	40.5	44.3	-374 bps	41.4	-85 bps
PAT	599.8	638.4	(6.0)	638.0	-6.0

Key financials				
₹ Crore	FY17	FY18	FY19E	FY20E
Net Sales	13,424	14,490	14,271	14,134
EBITDA	5,897	6,380	5,563	5,456
Net Profit	2,747	2,494	2,215	2,305
EPS (₹)	14.9	13.5	12.0	12.5

Valuation summary				
	FY17	FY18	FY19E	FY20E
P/E	17.8	19.7	22.1	21.3
Target P/E	19.2	21.1	23.8	22.8
EV / EBITDA	8.0	6.9	7.8	8.0
P/BV	3.2	2.9	3.1	3.3
RoNW	17.7	14.7	14.1	15.7
RoCE	20.1	21.1	19.1	19.6

Stock data	
	Amount
Market Capitalization (₹ crore)	49,014.4
Total Debt (₹ crore)	1,690.1
Cash and Investments (₹ crore)	6,787.2
EV (₹ crore)	43,917.3
52 week H/L (₹)	482/ 283
Equity capital (₹ crore)	1,849.6
Face value (₹)	10.0
MF Holding (%)	0.9
FII Holding (%)	22.5

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- Revenues (on a proportionate consolidation basis) came in at ₹ 3668.3 crore, (flattish QoQ), slightly higher vs our estimates of ₹ 3608 crore. The core rental declined by 3.6% YoY to ₹ 2120.1 crore, while the revenues beat was largely driven by energy revenues which grew by 5% QoQ to ₹ 1548.2 crore. The net co-locations exit stood at 26266, as anticipated, as the company witnessed impact of gross exits of 27769 on consolidated basis, owing to Vodafone Idea merger and also weaker tenancy addition on gross basis. The closing tenancy ratio stood at 2.04x (down from 2.22x, last quarter).
- EBITDA came in at ₹ 1486.4 crore (ldirect estimate of ₹ 1408.5 crore), down 2.2% QoQ, with margins at 40.5%(down 85 bps QoQ), but higher than with our estimates of 39.5%. The margins beat was aided by superior energy margins of 8.2% vs. our expectations of 5.5%.
- The company reported a PAT of ₹ 599.8 crore vs. our expectation of ₹ 566 crore, aided by better than expected margins

Finally witnesses the Idea Vodafone exit

The major event for Q2FY19 was exit notices by Vodafone Idea for 27,447 co-locations on the consolidated basis. On a (gross basis), the total exits is ~60,000 tenancies. We note that with Vodafone Idea exits, there remains no further risks of tenancy impacts with market consolidated to 3 players. However, new tenancy addition would also be tepid in the next couple of quarters as operators struggle with competition. Therefore, we build in 182156 net co-locations in FY20 vs. current co-location count of 174512, indicating muted tenancy addition ahead. The rental revenues are expected to decline at 5.1% CAGR in FY18-20E to ₹ 8083 crore. Muted core rental revenue growth is likely to result in core margin erosion of ~240 bps in the next two years to 63.8% in FY20.

Exit penalty claims of ~₹ 1500 crore from incumbents

Infratel indicated that on account of exits, the company has outstanding penalty claims of ₹ 1500 crore, largely from incumbents. It indicated that the same is expected to be either settled partly in cash and balance in the form of committed future business. Alternatively, the company could also ask for extension of tenure for further 5 years. Moreover, there are pending claims from other marginal exited telcos, recovery of which is contingent on legal recourse. Given the lack of clarity over the receipt of claims, we do not build in anything into our estimates/target price. Moreover, given the strained balance sheet of incumbents, commitment of future business is a more plausible outcome.

Most exits complete; Awaiting positive traction; maintain HOLD

We believe that with final leg of consolidation pain in the form of Voda-Idea tenancy exit already done, the focus now shifts to future growth potential amid price competition among operators and Jio's continued preference to build few towers on their own. Moreover, despite proposed merger of Indus Tower and Infratel, the basic premise of less than optimum capital structure persists. While, company's intent to diversify into optic fibre business along with foray into additional services such as Smart City projects is a positive move, we believe benefits from the same would accrue over a longer time horizon of three to five years. Therefore, we maintain our **HOLD** recommendation with a revised target price of ₹ 285/share. Our target price implies 9x FY20E EV/EBITDA on the merged entity Proforma financials (refer page 3).

Variance analysis

	Q2FY19	Q2FY19E	Q2FY18	Q1FY19	YoY (%)	QoQ (%)	Comments
Revenue	3,668.3	3,608.2	3,648.2	3,673.5	0.6	-0.1	The core rental was up 0.6% YoY to ₹ 2198.9 crore, higher than our estimate of ₹ 2142 crore, leading to topline beat
Other Income	55.7	50.0	40.1	60.9	38.9	-8.5	
	#N/A	#N/A					
Employee Expenses	122.2	125.1	126.3	122.9	-3.2	-0.6	
Power and Fuel	1,436.7	1,438.6	1,259.3	1,420.4	14.1	1.1	
Rent	316.8	321.6	310.2	320.6	2.1	-1.2	
Other Expenses	92.3	90.2	112.3	68.5	-17.8	34.7	
Repairs and Maintenance	213.9	224.2	225.5	221.5	-5.1	-3.4	
EBITDA	1,486.4	1,408.5	1,614.6	1,519.6	-7.9	-2.2	
EBITDA Margin (%)	40.5	39.0	44.3	41.4	-374 bps	-85 bps	The margins were aided by lower other expenses and topline beat
Depreciation	562.5	540.1	594.1	538.9	-5.3	4.4	
Interest	-44.2	-25.0	-10.9	-28.5	NM	NM	Interest cost has now been restated as net interest cost and also included the MTM impact of a change in fair value
Exceptional Items	35.7	0.0	0.0	0.0	NA	NA	
Total Tax	388.3	377.3	433.1	432.1	-10.3	-10.1	
PAT	599.8	566.0	638.4	638.0	-6.0	-6.0	
Towers (Consolidated)	92,123	91,878	90,955	91,759	1.28	0.40	
Tenancy Ratio (x) (Consolidated)	2.04	2.04	2.41	2.22	-15.3	-8.0	
Sharing revenue per tower p.m	76,865	75,725	83,040	80,014	-7.44	-3.94	

Source: Company, ICICI Direct Research

Change in estimates

(₹ Crore)	FY19E			FY20E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	13,931.4	14,271.3	2.4	13,761.2	14,134.2	2.7	Raising the energy revenues estimates given higher diesel prices
EBITDA	5,451.8	5,562.6	2.0	5,419.5	5,456.0	0.7	
EBITDA Margin (%)	39.1	39.0	-16 bps	39.4	38.6	-78 bps	Re-aligning the core EBITDA estimates given the H1FY19 performance
PAT	2,203.8	2,214.5	0.5	2,339.5	2,305.0	-1.5	
EPS (₹)	11.9	12.0	0.4	12.6	12.5	-1.5	

Source: Company, ICICI Direct Research

Assumptions

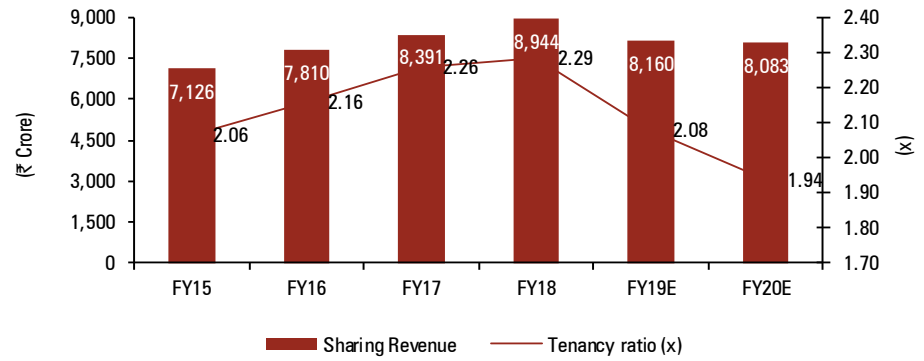
	Current			Earlier			
	FY16	FY17	FY18	FY19E	FY20E	FY19E	FY20E
Bharti Infratel Standalone							
Towers (No.)	38,458	39,099	39,523	40,186	40,670	40,078	40,561
Tenancy Ratio (x)	2.08	2.20	2.26	2.11	2.01	2.15	2.02
Total Co-locations (No.)	81,632	89,263	88,665	79,548	82,987	82,414	80,168
Sharing revenue per tower p.m	76,000	81,001	85,803	79,384	80,090	79,293	76,770
Sharing Revenue (₹ Crore)	3,449.8	3,769.3	4,047.6	3,796.6	3,885.5	3,787.0	3,714.4
Indus Towers							
Towers (No.)	119,881	122,730	123,639	124,230	124,230	123,904	123,904
Tenancy Ratio (x)	2.22	2.30	2.30	2.06	1.88	2.23	2.16
Total Co-locations (No.)	270,006	288,913	278,408	231,440	236,116	273,532	262,924
Sharing revenue per tower p.m	73,028	75,503	78,873	69,851	67,034	75,103	74,627
Sharing Revenue (₹ Crore)	10,333.1	10,990.8	11,659.1	10,388.4	9,993.1	11,154.7	11,095.8
Bharti Infratel Consolidated							
Towers (No.)	88,808	90,646	91,451	92,363	92,847	92,117	92,600
Tenancy Ratio (x)	2.16	2.26	2.29	2.08	1.94	2.19	2.10
Total Co-locations (No.)	195,035	210,606	205,596	176,752	182,156	197,297	190,596
Sharing revenue per tower p.m	74,513	77,930	81,865	73,985	72,734	76,920	75,562
Sharing Revenue (₹ Crore)	7,810.5	8,390.9	8,944.4	8,159.7	8,082.6	8,472.0	8,374.6

Source: Company, ICICI Direct Research

Exhibit 1: Proforma of merged entity

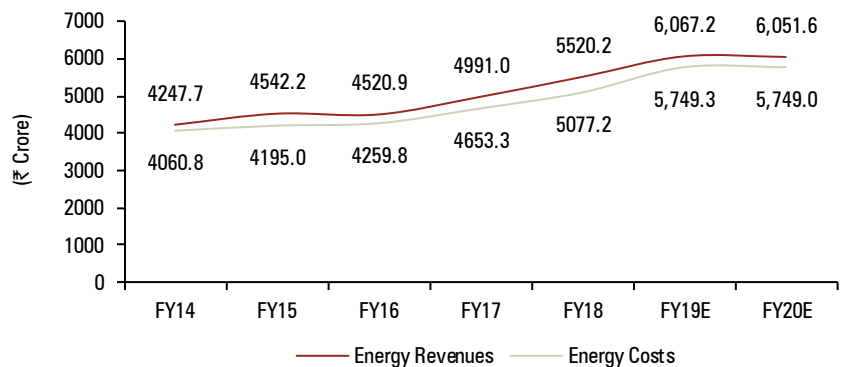
₹ crore	Infratel Standalone			Indus Towers			Combined Entity		
	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Tower (No.)	39,523	40,186	40,670	123,639	124,230	124,230	163,162	164,416	164,900
Tenancies (No.)	88,665	79,548	82,987	278,408	231,440	236,116	367,073	310,987	319,103
Tenancy Ratio (x)	2.3	2.1	2.0	2.3	2.1	1.9	2.3	2.1	1.9
Revenues	6,618	6,740	6,818	18,742	17,930	17,419	25,360	24,670	24,237
EBITDA	3,178	2,918	2,921	7,716	6,330	6,036	10,894	9,248	9,057
Margin (%)	48.0	43.3	42.8	41.2	35.3	34.7	43.0	37.5	37.4
Target EV at 9x							81513		
Less: Net Debt							5,560		
Equity Value							75,954		
Diluted no. of Shares (crore)							266.1		
Fair Value (₹/share)							285		

Source: Company, ICICI Direct Research

Exhibit 2: Bharti Infratel consolidated tenancy, sharing revenues


Source: Company, ICICI Direct Research

As per management guidance that energy margins would be in the range of 3-5%, we build in energy margins of ~5%, going ahead.

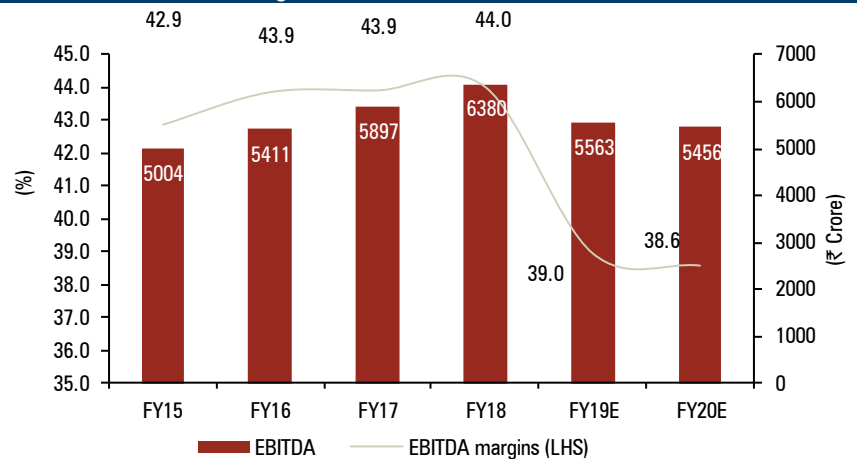
Exhibit 3: Energy revenues, energy costs trend


Source: Company, ICICI Direct Research

Margins to be impacted by tenancy exits

Going ahead, rental freeze, coupled with tenancy exits are expected to lead to negative operating leverage. We build in EBITDA margins of 39% and 38.6%, respectively, in FY19E and FY20E vs. margins of 44% reported in FY18.

Exhibit 4: EBITDA, EBITDA margins trend



Source: Company, ICICI Direct Research

Other Highlights

- **Expect healthy gross tenancy additions ahead; rule out buyback till merger completion;** Management indicated that gross tenancy addition trend may be weak for some time but it is expected to bounce back on account of aggressive 4G rollouts from incumbents going forward. As per management, they do not foresee any threat for gross tenancy additions despite Jio's continued preference to build some of the sites on its own. Management ruled out possibility of buyback on account of ongoing merger with Indus.
- **Exit penalties of ₹1500 crore, preference is on future business commitments than cash receipts:** Management indicated that the company has as outstanding penalty claims of ₹ 1500 crore because of exits by incumbent tenants. The same is expected to be either settled partly in cash and balance in the form of committed future business. Alternatively, the company could also ask for extension of tenure for further 5 years. Management indicated that their preference is to seek future business than cash receipts
- **Infratel-Indus merger filed with NCLT; essential infrastructure status is new digital policy bodes well;** Management indicated that Infratel-Indus merger received permissions from SEBI and CCI and scheme has been filed with NCLT. Management is confident of closing the merger at the end of FY19. As per management, in the recently unveiled National Digital Policy, telecom infra service providers have been given 'essential infra' status which bodes well for the industry since it would act as a cushion from sabotage threats.
- **Possibility of replicating tower like model in fiber; small cell deployment, 5G incremental opportunities:** Management indicated that they have already started deploying small cells in top 2 metros and they envisage this as a scalable model for the company as data usage will be elevated especially when 5G will be deployed. As per management, the synergy benefits which operators currently enjoys on tower sharing can be replicated on fiber sharing, however for that fiber assets need to carved out like towers.

Transition to Ind-As

With the new Ind-As accounting to be followed, there have been a couple of changes.

- The company has done away with revenue equalisation accounting and would recognise only the actual revenue billed
- Revenues from Indus Towers are now accounted on “equity basis” (profit from JV) contrary to the proportionate consolidation followed earlier
- Investments would be accounted on a mark-to market basis
- The company would also report the interest cost as net of interest income and interest expenses vs. the interest income as “other income” and cost in the interest cost earlier.

We incorporate the above-mentioned changes except MTM impact on investment, which is a function of market performance and cannot be modelled.

However, we would continue to estimate and publish numbers/ratios based on proportionate consolidation of Indus as we believe it gives a better a picture on the consolidated operating performance. Moreover, the company has also indicated it would continue to provide an operating matrix even on a proportionate basis, which should enable us to model the same on a sustainable basis.

On a reported basis, the company’s reported topline and margins would exclude Indus numbers based on equity method while it would be part of profit from associates/JV. The income statement prepared under “equity method” is given below.

Exhibit 5: Income statement prepared under equity method

(Year-end March)	FY17	FY18	FY19E	FY20E
Total operating Income	6,084.7	6,621.2	6,742.8	6,818.1
Growth (%)	9.5	8.8	1.8	1.1
Other Income	71.1	95.5	116.6	200.0
Total Revenue	6,155.8	6,716.7	6,859.4	7,018.1
Rent	318.4	351.8	348.0	357.2
Employee Expenses	274.6	291.6	287.4	288.1
Power and Fuel	2,114.3	2,281.7	2,684.7	2,756.6
Other Expenses	143.9	132.8	125.2	109.1
Repairs & Maintenance	408.4	406.2	381.5	386.2
Total Operating Expenditure	3,259.6	3,464.1	3,826.8	3,897.2
EBITDA	2,825.1	3,157.1	2,916.0	2,920.8
Growth (%)	13.5	11.8	-7.6	0.2
Depreciation	1,165.7	1,180.1	1,134.6	1,197.0
Interest	-654.2	-180.2	-387.2	-560.0
Other Income	71.1	95.5	116.6	200.0
PBT	2,384.7	2,252.7	2,285.2	2,483.8
Profit from associates	1,195.0	1,302.5	919.3	905.6
Exceptional Items	0.0	26.0	0.0	0.0
Total Tax	832.7	1,035.5	990.0	1,084.5
PAT	2,747.0	2,493.7	2,214.5	2,305.0
Growth (%)	22.2	-9.2	-11.2	4.1
EPS (₹)	14.9	13.5	12.0	12.5

Source: Company, ICICI Direct Research

Valuation

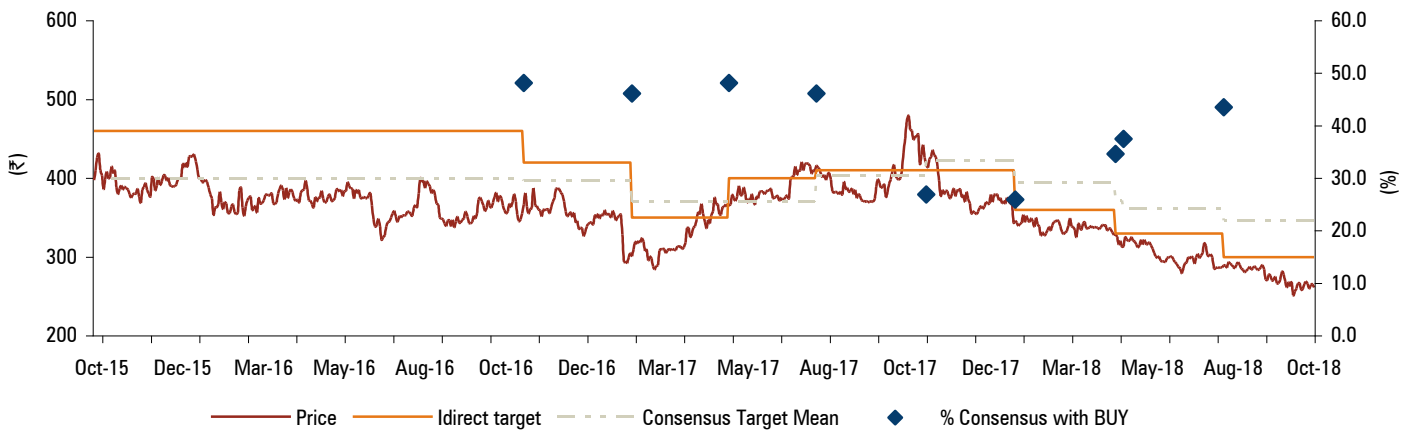
We believe that with final leg of consolidation pain in the form of Voda-Idea tenancy exit already done, the focus now shifts to future growth potential amid price competition among operators and Jio's continued preference to build few towers on their own. Moreover, despite proposed merger of Indus Tower and Infratel, the basic premise of less than optimum capital structure persists. While, company's intent to diversify into optic fibre business along with foray into additional services such as Smart City projects is a positive move, we believe benefits from the same would accrue over a longer time horizon of three to five years. Therefore, we maintain our **HOLD** recommendation with a revised target price of ₹ 285/share. Our target price implies 9x FY20E EV/EBITDA on the merged entity Proforma financials (refer page 3).

Exhibit 6: Valuations

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY17	13423.6	8.9	14.9	22.2	17.8	8.0	17.7	20.1
FY18	14489.6	7.9	13.5	-9.2	19.7	6.9	14.7	21.1
FY19E	14271.3	-1.5	12.2	-9.8	21.8	7.8	14.2	19.0
FY20E	14134.2	-1.0	12.5	2.4	21.3	8.0	15.7	19.6

Source: Company, ICICI Direct Research

Recommendation History vs. Consensus Estimates



Source: Company, ICICI Direct Research

Key events

Date	Event
FY13	BIL comes out with an IPO and raises about ₹ 4118 crore (comprising public issue and subscription by anchor investors)
Mar-14	Reaches high tenancy ratio of 1.99x at consolidated level
FY14	The company declares dividends of about ₹ 4.4 per share for the year ended FY14
Jul-14	The parent company Bharti Airtel starts the process of selling loss-making African towers, removing the overhang on the stock as there was speculation on Infratel
FY15	The company declares impressive dividend of ₹ 11 per share, which amounted to ₹ 2477 crore as total dividend payouts
FY16	Announces dividend of ₹ 3 per share for FY16 and also announces a buy-back for an amount not exceeding ₹ 2000 crore at a maximum price of ₹ 450 per share resulting in a share buy-back of 4.44 crore shares

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Bharti Enterprises, Ltd.	30-06-2018	52.13	2,083.97M	0.0
2	Singapore Telecommunications Ltd	30-06-2018	15.01	599.81M	0.0
3	Life Insurance Corporation of India	30-06-2018	3.76	150.18M	0.0
4	ICICI Prudential Asset Management Co. Ltd.	30-06-2018	2.11	84.31M	+21.09M
5	SBI Funds Management Pvt. Ltd.	30-06-2018	1.38	55.15M	+2.10M
6	ICICI Prudential Life Insurance Company Ltd.	30-06-2018	1.18	47.36M	-3.83M
7	The Vanguard Group, Inc.	30-06-2018	1.12	44.78M	+0.22M
8	Franklin Templeton Asset Management (India) Pvt. Ltd.	31-05-2018	1.07	42.84M	+1.85M
9	BlackRock Institutional Trust Company, N.A.	30-06-2018	0.95	38.03M	-2.14M
10	Dimensional Fund Advisors, L.P.	30-06-2018	0.72	28.70M	+0.09M

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
Promoter	58.00	58.00	53.51	53.51	53.51
FII	38.24	38.24	42.96	42.20	42.29
DII	0.63	1.71	2.18	2.24	2.26
Others	3.13	2.05	1.35	2.05	1.94

Recent Activity

Investor name	Value	Shares	Investor name	Value	Shares
EdgePoint Investment Group Inc.	+155.43M	+35.40M	Vontobel Asset Management, Inc.	-57.92M	-13.19M
Camas Investments Pte. Ltd.	+50.03M	+11.39M	Cambiar Investors LLC	-46.94M	-10.69M
ICICI Prudential Asset Management Co. Ltd.	+13.38M	+3.05M	Matthews International Capital Management, L.L.C.	-34.75M	-7.91M
Artisan Partners Limited Partnership	+6.32M	+1.44M	RWC Partners Limited	-22.29M	-5.08M
BNY Mellon Asset Management North America Corporation	+2.86M	+0.79M	APG Asset Management	-19.54M	-3.79M

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement					₹ Crore				
(Year-end March)	FY17	FY18	FY19E	FY20E					
Total operating Income	13,423.6	14,489.6	14,271.3	14,134.2					
Growth (%)	8.9	7.9	-1.5	-1.0					
Other Income	145.6	232.6	216.6	280.0					
Total Revenue	13,569.2	14,722.2	14,487.9	14,414.2					
Rent	1,162.8	1,261.5	1,273.5	1,290.0					
Employee Expenses	467.8	500.2	487.3	498.1					
Power and Fuel	4,653.3	5,077.2	5,749.3	5,749.0					
Other Expenses	326.9	366.8	334.0	335.9					
Repairs & Maintenance	915.9	903.8	864.6	805.1					
Total Operating Expenditure	7,526.7	8,109.5	8,708.7	8,678.2					
EBITDA	5,896.9	6,380.1	5,562.6	5,456.0					
Growth (%)	9.0	8.2	-12.8	-1.9					
Depreciation	2,262.5	2,346.2	2,230.1	2,294.4					
Interest	-441.3	-9.7	-172.7	-400.0					
Other Income	145.6	232.6	216.6	280.0					
PBT	4,221.2	4,276.2	3,721.8	3,841.6					
Exceptional Items	0.0	50.0	35.7	0.0					
Total Tax	1,474.2	1,732.5	1,471.6	1,536.6					
PAT	2,747.0	2,493.7	2,214.5	2,305.0					
Growth (%)	22.2	-9.2	-11.2	4.1					
EPS (₹)	14.9	13.5	12.0	12.5					

Source: Company, ICICI Direct Research

Cash flow statement					₹ Crore				
(Year-end March)	FY17	FY18	FY19E	FY20E					
Profit after Tax	2,747.0	2,493.7	2,214.5	2,305.0					
Add: Depreciation	2,262.5	2,346.2	2,230.1	2,294.4					
Add: Interest Paid	(441.3)	(9.7)	(172.7)	(400.0)					
(Inc)/dec in Current Assets	-369.6	-684.7	322.6	165.7					
Inc/(dec) in CL and Provisions	3,038.8	-2,086.7	-57.3	-36.0					
CF from operating activities	7,237.4	2,058.8	4,537.3	4,329.2					
(Inc)/dec in Investments	-1,066.2	-1,163.9	0.0	-200.0					
(Inc)/dec in Fixed Assets	-1,950.0	-1,937.4	-657.2	-1,250.5					
Others	-100.4	86.4	5.9	3.7					
CF from investing activities	-3,116.6	-3,014.9	-651.3	-1,446.8					
Issue/(Buy back) of Equity	-47.1	0.0	0.0	0.0					
Inc/(dec) in loan funds	-629.9	-43.3	-401.4	0.0					
Dividend paid & dividend tax	-3,562.0	0.0	-3,107.3	-3,107.3					
Add: Interest Paid	(441.3)	(9.7)	(172.7)	(400.0)					
Others	-607.6	-735.0	45.4	500.0					
CF from financing activities	-5,287.9	-788.0	-3,636.0	-3,007.3					
Net Cash flow	-1,167.1	-1,744.1	250.0	-124.9					
Opening Cash	3,191.1	2,024.0	279.9	529.9					
Closing Cash	2,297.0	279.9	529.9	405.0					

Source: Company, ICICI Direct Research

Balance sheet				₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E
Liabilities				
Equity Capital	1,849.6	1,849.6	1,849.6	1,849.6
Reserve and Surplus	13,636.9	15,104.8	13,912.0	12,809.6
Total Shareholders funds	15,486.5	16,954.4	15,761.6	14,659.2
Total Debt	1,735.0	1,690.1	1,288.7	1,288.7
Deferred Tax Liability	715.0	622.3	622.3	622.3
Others	842.9	954.6	954.6	954.6
Total Liabilities	18,779.4	20,221.4	18,627.2	17,524.8
Assets				
Gross Block	30,588.4	32,376.0	33,033.2	34,283.7
Accumulated Depreciation	16,955.8	19,302.0	21,532.1	23,826.5
Net Block	13,632.6	13,074.0	11,501.1	10,457.1
Capital WIP	256.8	406.6	406.6	406.6
Total Fixed Assets	13,889.4	13,480.6	11,907.7	10,863.7
Investments	5,621.1	6,785.0	6,785.0	6,985.0
Inventory	0.0	0.0	0.0	0.0
Debtors	217.9	918.5	782.0	774.5
Loans and Advances	1,354.9	1,347.9	1,194.8	1,065.0
Other Current Assets	522.7	513.8	480.8	452.3
Cash	2,297.0	279.9	529.9	405.0
Total Current Assets	4,392.5	3,060.1	2,987.5	2,696.8
Creditors	679.3	618.2	608.9	603.0
Provisions	610.5	666.6	656.6	650.3
Other Current Liabilities	4,598.0	2,516.3	2,478.4	2,454.6
Total Current Liabilities	5,887.8	3,801.1	3,743.8	3,707.9
Net Current Assets	-1,495.3	-741.0	-756.4	-1,011.1
Others Assets	764.2	696.8	690.9	687.2
Application of Funds	18,779.4	20,221.4	18,627.2	17,524.8

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY17	FY18	FY19E	FY20E
Per share data (₹)				
EPS	14.9	13.5	12.0	12.5
Cash EPS	27.1	26.2	24.0	24.9
BV	83.7	91.7	85.2	79.3
DPS	16.0	14.0	14.0	14.0
Cash Per Share	12.4	1.5	2.9	2.2
Operating Ratios				
EBITDA Margin (%)	43.9	44.0	39.0	38.6
PAT Margin (%)	20.5	17.2	15.5	16.3
Debtor days	5.9	23.1	20.0	20.0
Creditor days	18.5	15.6	15.6	15.6
Return Ratios (%)				
RoE	17.7	14.7	14.1	15.7
RoCE	20.1	21.1	19.1	19.6
RoIC	26.0	32.7	31.8	31.6
Valuation Ratios (x)				
P/E	17.8	19.7	22.1	21.3
EV / EBITDA	8.0	6.9	7.8	8.0
Market Cap / Sales	3.7	3.4	3.4	3.5
Price to Book Value	3.2	2.9	3.1	3.3
Solvency Ratios				
Debt/EBITDA	0.3	0.3	0.2	0.2
Debt / Equity	0.1	0.1	0.1	0.1
Current Ratio	0.4	0.7	0.7	0.6
Quick Ratio	0.4	0.7	0.7	0.6

Source: Company, ICICI Direct Research

ICICI Direct coverage universe (Telecom)

Sector / Company	CMP (₹)		Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	TP(₹)				FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Bharti Airtel (BHAAIR)	296	425	Buy	118,323	2.5	-2.0	0.1	116.8	NM	5503.7	7.2	8.7	7.6	5.7	3.2	4.7	2.6	-0.7	0.0
Bharti Infratel (BHAINF)	265	285	Hold	49,014	13.5	12.2	12.5	19.7	21.8	21.3	6.9	6.8	7.9	21.1	19.0	19.6	14.7	14.2	15.7
Idea Cellular (IDECCL)	37	50	Hold	40,574	-9.6	-9.6	-11.9	NM	NM	NM	11.3	12.2	26.5	-2.3	-5.7	-3.7	-15.3	-39.5	-37.1
Sterlite Tech. (STETEC)	326	400	Buy	13,085	8.3	13.3	16.0	39.1	24.5	20.4	18.6	20.1	13.1	29.7	27.0	27.0	28.7	33.1	29.5
Tata Comm. (TATCOM)	449	610	Hold	12,794	-11.5	2.3	15.1	NM	192.1	29.8	8.9	9.2	8.8	5.9	4.9	8.7	9.4	20.2	81.9

Source: Company, ICICI Direct Research

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